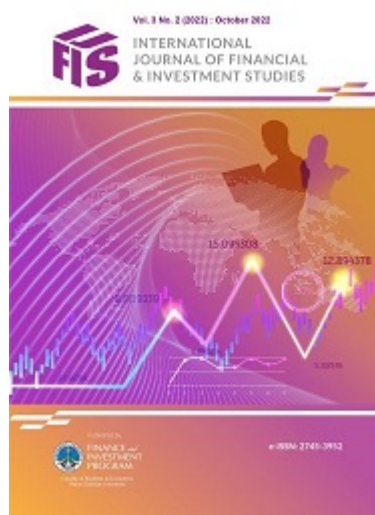


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FACTORS INFLUENCING THE ENGAGEMENT OF MILLENNIAL EMPLOYEES IN SURABAYA-INDONESIA

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ABSTRACT

Engaged employees tend to produce better results, which no doubt will bring benefits to organizations. Unfortunately, in Indonesia, only 25% of Millennial employees are engaged, while Millennial employees have occupied 35% of the total workforce. This research aims to identify the influence of the seven determinants of employee engagement, namely work environment, leadership, co-worker relationship, training and career development, compensation, organizational policies, and workplace well-being, on the engagement level of Millennial employees in one of the fastest growing industry in Indonesia, which is the Cafe and Restaurant Industry. The initial 115 data have been gathered, and multiple regression analysis shows that the seven determinants explained 93.6% of the variance in employee engagement (Adjusted $R^2=0.936$, $F=239.174$, $p<.000$). Furthermore, only five factors show a significant individual influence on the engagement level: leadership ($b=328$, $p<.000$), co-worker relationship ($b=.239$, $p<.004$), training and career development ($b=254$, $p<.011$), compensation ($b=383$, $p<.001$), and workplace well-being ($b=176$, $p<.005$). Implications for these findings are discussed in the full paper.

Keywords: Employee Engagement, Indonesia, Millennial Employees.

INTRODUCTION

An organization is established through the combination of various resources. Starting from the tangible resources, such as the building, machinery, inventory, and so on; until the intangible resources, such as the patent, organization's reputation, as well as the knowledge, intelligence, and power, which come from the employees. Among those things, employees are one of the most valuable resources. Boudreau and Ramstad (2007, p.4) suggest that "whether they are called "people", "labors", intellectual capital", "human resources", or some other terms, the resources which lie within the employees and how they are organized, are increasingly recognized as critical to strategic success and competitive advantage of an organization".

As human beings, employees have desires and needs related to their job, which when those things are fulfilled, will lead to employee engagement. Andrew and Sofian (2012) define employee engagement as "the level of commitment that an employee has toward his or her organization and its values" (p.599). In his research, Armstrong (2009) mentions that engaged employees will be truly interested, excited, and even are willing to go the extra miles to finish their job to the very best of their ability. As the result, engaged employees tend to have better performance in doing their job, which in the end will bring advantages for the organization. On the other hand, according to Gallup (2002), not engaged employees tend to focus only on finishing the tasks spelled out to them rather than giving a meaningful contribution to help achieve the goals of the organization, or basically, they only do what they are told to do; and worse, actively disengaged employees might even drag down the performance of the other employees (as in Anitha, 2014). As the result, disengaged employees will cost an organization with lower productivity, higher absenteeism, recruitment, and training cost (Gallup, 2005).

Unfortunately, despite the importance of employee engagement within the organization, a recent research conducted by Gallup (2016) shows that globally, only 29% of Millennial employees (those who were born between 1977 and 1995) are engaged in their jobs, while the other 71% are either not engaged or even actively disengaged. Knowing that condition, the existing organizations which want to maintain their presence should spend extra effort to ensure the Millennial employees' engagement. Especially when the Millennials will make up 75% of the global workforce, by 2025 (Schawbel, 2013).

In Indonesia itself, based on the data published by Badan Pusat Statistik (BPS) Republik Indonesia, in 2016, Millennial employees have already accounted for 35% of the total Indonesian workforce (BPS, 2016). This percentage will continue to increase in several years ahead, as Millennial employees will gain larger foothold in various industries. However, similar to the findings from Gallup's research, a research by Dale Carnegie which participants were 1,200 Millennial employees coming from six big cities in Indonesia, namely: Jakarta, Surabaya, Bandung, Makassar, Balikpapan, and Medan; finds that only 25% of them are engaged with their job ("Infografis: Millenial Ogah Terlibat," 2017). Following the result of the research, out of the six cities, this research will focus on Surabaya, as it is the second biggest city in Indonesia, with a total population of more than 2.8 million and a total workforce of more than 1.4 million (BPS, 2017). Thus, this research, which is trying to identify factors related to employee engagement of the Millennials, which can help in improving the small percentage of engaged employees in Surabaya, is very important and highly relevant to the present condition.

Currently, one of the fastest-growing industries in Surabaya is the cafe and restaurant industry. Tjahjono, the head of Asosiasi Pengusaha Kafe dan Restoran Indonesia (Apkrindo), mentions that for the first half of 2016, the growth of café and restaurants in Surabaya has reached 20% ("Bisnis Kuliner di Surabaya," 2017). Furthermore, Tjahjono states that most of the time, there are around one or two new cafes or restaurants established every week ("Potensial, Surabaya Jadi Incaran," 2016). Therefore, this research will be conducted among the Millennials who work in the cafe and restaurant industry in Surabaya.

Based on the research background, the aim of this research is what is the effect of work environment, leadership, co-worker relationship, training and career development, compensation, organizational policies, and workplace well-being; towards the employee engagement of the Millennials who work in the café and restaurant industry in Surabaya?

LITERATURE REVIEW

Employee Engagement

Some people equalize the concept of 'work engagement with 'employee engagement' (Schaufeli, 2013). However, even though both concepts have some similarities, they are different. While work engagement is only limited to the relationship between an employee with his or her work, employee engagement goes a step further; it also involves the employee's relationship with his or her organization (Schaufeli, 2013). Andrew and Sofian (2012) describe employee engagement as the level of commitment that an employee has towards the organization, for which she or he works for. William Kahn, as the founding father of employee engagement, whom first came up with the term "employee engagement" in his paper, called "Psychological Conditions of Personal Engagement and Disengagement at Work", in 1990, defines employee engagement as "the harnessing of organization members' selves to their work roles" (Kahn, 1990, p.694). Based on those definitions, the researchers conclude, that employee engagement is the extent to which an employee is willing to go the extra mile regarding his or her work, for the good and gain of the organization.

Determinants of Employee Engagement

Following the social exchange theory, when an organization invests in the employees with its money, energy, and other resources; the employees will invest back into the organization by offering their degrees of engagement (Robinson et al., 2004; Lee & Bruvold, 2003). The more physical, emotional, and cognitive resources an organization dedicates to its employees, the more engaged and intimated the employees are (Saks, 2006). Therefore, for an organization to be able to succeed in having highly engaged employees, it has to ensure the existence of several determinants of employee engagement.

Based on Kahn (1990), there are three types of psychological conditions, in which their presence will be significant to employee engagement, The three psychological conditions include psychological

meaningfulness, psychological safety, and psychological availability (Kahn, 1990). Throughout the flow of time, the three physical conditions above have been manifested and elaborated in many different determinants within the workplace. In her paper, Anitha (2014) suggests that the three types of Kahn psychological conditions can be further developed into seven determinants, which are: work environment, leadership, a co-worker relationship, training and career development, compensation, organizational policies, and workplace well-being; that can be used as valid measurements of employee engagement.

Work Environment

A work environment that can help the employees to be more focused on their work, encourage interpersonal harmony, and allows them to feel physically and emotionally safe will affect the employees' engagement level favorably (Anitha, 2014; Kahn, 1990). This statement is supported by Shuck et al. (2010) who suggest that work environment is one of the elements that can lead to engagement or disengagement of the employees. Besides, newer research involving some employees in a telecommunication company in Kuala Lumpur, shows that work environment is one of the biggest determinants which influence employee engagement, in which, employees feel more committed and passionate towards their job and organizations (Mohd, Shah, & Zailan, 2016).

H₁: Work environment influences employee engagement of the Millennials who work in the café and restaurant industry in Surabaya.

Leadership

Leadership acts as one of the determinants of employee engagement, as an inspiring leader with suitable leadership skills will influence employees' level of engagement. (Anitha, 2014; Kahn, 1990; Wallace & Trinka, 2009). Research conducted by Xu and Thomas (2010) among employees who work in large New Zealand-based insurance organizations, confirms that leadership behaviors are positively related to employee engagement. This finding is inline with research performed by Popli and Rizvi (2016), who found that leadership styles, especially the ones that inspire and enthuse employees to accomplish their tasks or work towards the organization's goal, will contribute to the engagement of the employees. All in all, leaders, that hold one of the most important roles within the organization, play a significant role in engaging the employees through the way they motivate and support their subordinates (Ariani, 2015).

H₂: Leadership influences employee engagement of the Millennials who work in the café and restaurant industry in Surabaya.

Co-worker Relationship

When employees have positive interpersonal relationships and work with co-workers who are supportive and open, employees tend to have a higher level of engagement (Locke & Taylor, 1990; Kahn, 1990; Anitha, 2014). Unfortunately, Ariani (2015) who conducted research with 191 employees of private companies in Yogyakarta as the samples, found that there is no direct relationship between co-workers and employee engagement. However, Rothmann and Welsh (2013), who were researching 309 employees from diverse organizations in Namibia, found that positive relationships with co-workers have a moderate effect on employee engagement.

H₃: Co-worker relationship influences employee engagement of Millennial employees who work in the café and restaurant industry in Surabaya.

Training and Career Development

Murrell (1984) describe training as methods to build more and better employees skills, enhance the employees' knowledge, as well as developing their attitudes. On the other hand, career development focuses more on the individual professional and personal progress, which aim is to improve the longer-term effectiveness of the organization (McDowall & Saunders, 2010). Through providing training, the organization gives employees chance to develop and grow more as a person, as well as acquire additional skills and knowledge, which in the end will be resulted in engagement (Alderfer, 1972;

Kahn, 1990). Furthermore, learning opens wider opportunities to an advanced career for employees, and when the employees realize they have wider career escalation opportunities, or when they succeed in getting their desired positions, they will be more engaged (Wildermuth & Pauken, 2008; Kahn, 1990). According to a research by James, McKechnie, and Swanberg (2011), even though career development and promotion opportunities were not related to the engagement of employees aged 66 and older, they are significantly related to the younger employees.

H₄: Training and career development influences employee engagement of the Millennials who work in the café and restaurant industry in Surabaya.

Compensation

Dessler (2013) defines compensation as all types of payment given by employers to their employees. Compensation can be both in the forms of monetary rewards, such as pay, bonuses, merit-pay, and so on (Anitha, 2014); and non-monetary rewards, such as assistance programs for the employees, travel discounts, extra holidays (Dajani, 2015), recognition, and company uniform (Harunavamwe & Kanengoni, 2013). Kahn (1990) implies that it is not the quality or quantity nor the size of the compensation that matters the most, but it is more towards employees' perception that their hard-work and efforts are being recognized and compensated by the organizations, that signify. It has been proven empirically in the research of Joshi and Sodhi (2011), who found that for both executives and non-executives level of Indian employees, compensation package that is suitable with the qualifications, responsibilities, and the ideas that the employees contribute to the organizations, turn out to be one of the significant drivers of their engagement.

H₅: Compensation influences employee engagement of Millennial employees who work in the café and restaurant industry in Surabaya.

Organizational Policies

Based on Haner (1976), organizational policies refer to the principles and rules, which are set by the executives of an organization, which act as the guidelines and constraints for all of the organization members' thought and action. Friendly organizational policies and procedures will lead to employee engagement, which eventually will help organization to attend its goals (Anitha, 2014). Anitha (2014) states that friendly organizational policies have positive influence on the level of engagement of the employees. This statement is supported by Jones (2014), who did research by interviewing several employees from various work backgrounds and concludes that organizational policies such as transparent recruitment and selection procedure affect employee engagement. In line with Jones, a study performed by Ivanauskaite (2015) involving 228 employees discovered that organizational policies which allow flexibility (flex-time and flex-place) for the employees to accomplish their job, have positive influence on employee engagement.

H₆: Organizational policies influence employee engagement of the Millennials who work in the café and restaurant industry in Surabaya.

Workplace Well-being

The Chartered Institute of Personnel and Development (CIPD), as the biggest European professional organization for people management and development, describes workplace well-being as the organization efforts to compose an environment which can help in creating a gratification feeling which allows the employees to evolve and obtain their maximum capability for the sake of themselves and the organizations they work for (CIPD, 2007). Researchers at Towers Perrin (2007) found that when senior management shows sincere interest in employees' well-being, employees will feel that the organizations they work for, really pay attention and respect them, and thus will result in favorable level of engagement. Another researchers named Alvi, Abbasi, and Haider (2014) came up with a similar conclusion when conducting a research among 312 officer level employees of banking industry. The result of their research displays significance relationship between workplace well-being and employee engagement.

H₇: Workplace well-being influences employee engagement of Millennial employees who work in the the café and restaurant industry in Surabaya.

Theoretical Framework

The theoretical framework for this research can be seen in Figure 1. Work environment, leadership, co-worker relationship, training and career development, compensation, organizational policies, and workplace well-being are expected to affect employee engagement.

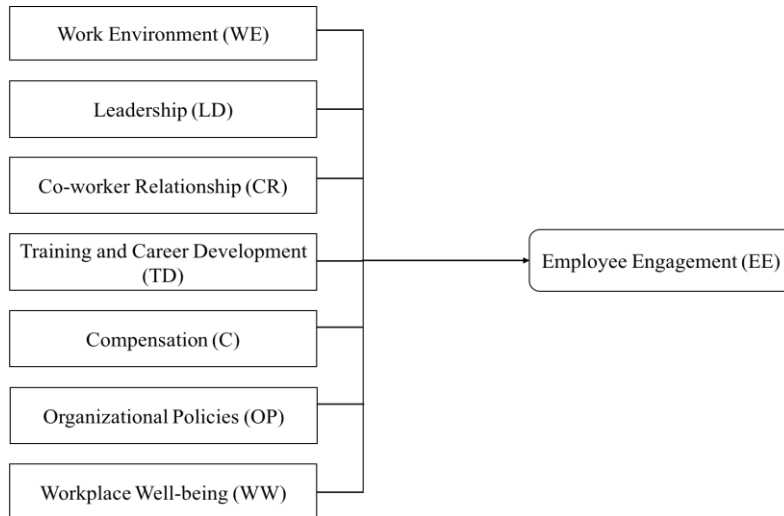


Figure 1. Relationships between Variables

METHODOLOGY

Out of the 115 data that have been gathered, 60% of the respondents are female and 40% are male. Furthermore, 82% of the respondents are in the age group of 23 – 32 years old and 18% of the respondents are in the age group of 33 – 41 years old. In terms of tenure, 75% of the respondents have been working for their organization for 1 – 2 years, 13% have been working for 3 – 5 years, and the rest (12%) have been working for their organization for more than 5 years. For the job position of the respondents, 39% of the respondents work as waiter or waitress, 25% work as cashier, 6% work as manager, 24% work as chef, and 6% work in other positions.

Data were collected through paper and pencil questionnaires, where the items were measured using the 5-point likert scale. The items have passed the reliability and validity test. Employee engagement has as Cronbach's alfa of 0.835, while the independent variables, namely work environment, leadership, co-worker relationship, training and career development, compensation, organizational policies, and work-place wellbeing have a cronbach's alpha of 0.614, 0.708, 0.739, 0.769, 0.642, 0.625, and 0.794 respectively. Data were further analyzed using multiple regression.

ANALYSIS AND DISCUSSION

Multiple Regression Analysis

After running multiple regression, results show that 93.6% of the variance in employee engagement can be explained through work environment, leadership, co-worker relationship, training and career development, compensation, organizational policies, and workplace well-being variables (See Table 4).

Table 4. Adjusted R-Squared Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.969 ^a	.940	.936	1.36289

a. Predictors: (Constant), WW, WE, OP, LD, CR, C, TD

b. Dependent Variable: EE

Furthermore, as can be seen in Table 5, the p-value is 0.000, which reflects that the overall model is significant.

Table 5. ANOVA Test Result

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3109.824	7	444.261	239.174	.000 ^b
Residual	198.750	107	1.857		
Total	3308.574	114			

a. Dependent Variable: EE

b. Predictors: (Constant), WW, WE, OP, LD, CR, C, TD

Based on the t-test results in Table 6, only leadership, co-worker relationship, training and career development, compenastion, and work-place wellbeing show influence towards employee engagement, while working environment and organizational policies show no significant affect.

Table 6. Coefficient Matrix of Independent Variables Test Result

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	-6.229	1.201			-5.188	.000
WE	.050	.043	.048		1.178	.242
LD	.328	.057	.302		5.747	.000
CR	.239	.081	.147		2.958	.004
TD	.254	.098	.176		2.580	.011
C	.383	.117	.174		3.264	.001
OP	.104	.087	.052		1.196	.234
WW	.176	.062	.154		2.848	.005

a. Dependent Variable: EE

These results conclude that H₂, H₃, H₄, H₅, and H₇ were accepted, while H₁ and H₆ were rejected.

Discussion

Results of this research show that work environment, as well as organizational policies, were statistically not proven to influence employee engagement of Millennial employees who work in the café and restaurant industry in Surabaya. In regards to the work environment, this might happen as the items used under the work environment variable were only limited to the physical aspect, and not the relationship or behavioral aspect. Meanwhile, according to Massoudi and Hamdi (2017), the aspect that employees consider more important is the behavioral work environment, including open communication, strong team spirit, and so on; instead of the physical work environment. For the insignificant effect of organizational policies on employee engagement, this finding is in line with the research conducted by Anitha (2014), showing that policies and procedures will not affect the engagement of employees. This happens as according to a combined survey performed by Business Insider and News to Live By, flexibility in work, as one of the items under organizational policies, does not really matter for the Millenials, as they have other more important things to be considered, such as compensation, meaningful work, and relationship with coworkers (Rubin, 2014). Furthermore, according to Ozcelik (2015), flexibility that is commonly desired by Millennials is flexibility regarding not having to be physically present at the office during scheduled work hours. However, that is impossible for Millennial employees who work in the café or restaurant industry, as they mostly need to be present.

Leadership on the other hand, has a significance influence towards employee engagement. Leaders that are inspiring, able to provide the sense of meaningfulness and build an environment of trust, will cause the employees to feel meaningful and safe, which in turn will enhance their engagement (Kahn, 1990; Anitha, 2014; Wang & Hsieh, 2013; Wallace & Trinka, 2009). Numerous researches also show that leadership influences employee engagement positively and significantly (Iqbal, Javaid, Ahmad, & Ateeq, 2013; James, McKechnie, & Swanberg, 2011), including a research conducted in

one of the restaurant in Indonesia (Setjoadi, Christianti, & Widjaja, 2016). Millennials seek to be coached, given feedback, supported, and given direction to be engaged (Brack & Kelly, 2012). This happens as Millennials are raised in the family with parents that are protective, responsive to their needs, and constantly give them praise for their efforts. Thus, when the Millennials enter the workplace, they expect the same treatments to continue (Ozcelik, 2015). That is why, leaders who can build a close relationship with their Millennial employees, so that the employees can feel supported and taken care of, will be able to produce employee engagement.

Co-worker relationship also influences employee engagement of Millennial employees who work in the café and restaurant industry in Surabaya. When employees are engaged in positive relationships and work with coworkers that are supportive, it will strengthen their social identity, help them to feel accepted, meaningful, and safe (Kahn, 1990; May et al., 2004; Anitha, 2014). Eventually, all of those feelings lead to employee engagement. A research conducted by Premiere Global Services (PGI), Inc. to nearly 500 of their customers (employees from variety of industries and company sizes) reveals that Millennials hope to share meaningful connections with their co-workers, in which they can build a more intimate rapport beyond professional relation (PGI, 2015). In addition, Kasali (2017) mentions that instead of competition, Millennial employees prefer collaboration in doing their job.

Training and career development influence employee engagement of Millennial employees as is with the research result of Lam and Zhang (2003). Their research indicated that training significantly impacts the level of employee engagement in a Hong Kong fast-food restaurant. Not only training, but the importance of career development for engagement is also in accordance with the output of the research performed by James, McKechnie, and Swanberg (2011), which shows that even though career development is less important for older employees, it strongly affects the engagement level of the younger employees with the range of age between 24 and 39 years old, which falls into Millennial employees category.

As similar with the result of most researchers, compensation also shows a significant influence towards employee engagement. This finding is aligned with the output of researches performed by Sanneh (2015), and Joshi and Sodhi (2011). Furthermore, for industry specified, in its report, Deloitte (2017) mentions that giving proper compensation for employees who work in restaurant industry, helps to not only create a positive and meaningful working environment, but also shows the employees that their contribution to the organization is valued. As the result, the employees have a favourable level of engagement. Moreover, in a joint survey conducted by Business Insider and News To Live By which involved 584 Millennials, it reveals that pay or compensation ranks number one as the most important determinant related to work (Rubin, 2014). That is because Millennials are living in a tough economy condition which causes financial pressure (Rubin, 2014).

Finally, workplace well-being significantly and positively impacts employee engagement. When employees believe that the organizations they work for, give efforts and pay attention toward their well-being, the employees will likely to respond by giving their whole commitment to fulfil their roles within the organization, by becoming more engaged (Kahn, 1990; Saks, 2006). Alvi, Abbasi, and Haider (2014) came up with a similar conclusion when conducting a research among 312 officer level employees of banking industry.

CONCLUSIONS AND RECOMMENDATIONS

In order to achieve the aim of this research, seven hypotheses were developed. To test the hypotheses, the researchers gathered 115 data on the Millennials working in Surabaya's café and restaurant industry. The adjusted R-square shows a value of 93.6%, and the F-Test shows a significant value <0.05 . The t-test shows that out of the seven variables, five variables which are leadership, co-worker relationship, training and career development, compensation, and workplace well-being are the factors that influence employee engagement.

Limitations of the Research

Since results of this research is based on the data in Surabaya – Indonesia, interpretation should be made with care as different locations can generate different results. Moreover, this results focuses on the cafe and restaurant industry, hence results might differ in other industries.

Suggestions for Future Research

For further research, reseachers could do a comparative analysis on different cafe and restaurant types such as low-end or high-end, fast-food or non-fast-food. Doing a similar research in other industries such as in F.M.C.G, or Banking industry, could also bring valuable insights as comparing the results from various industries can add value to the employee engagement literature.

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